

# Overview

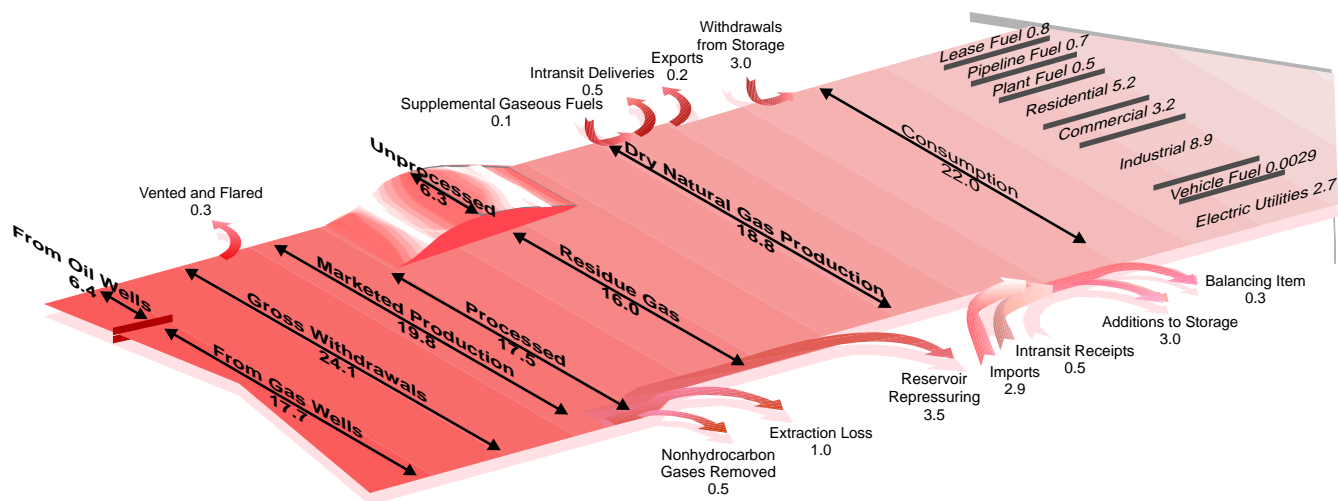
During 1996, the price of natural gas from the wellhead to the burner tip rebounded from the low levels seen in 1995. Despite these increases, the demand for gas remained strong. Consumption in 1996 reached 22 trillion cubic feet, only slightly below the record set in 1972. Production showed a slight increase over the previous year, less than 1 percent, and imports from Canada rose again. The way storage is managed by the industry continued to evolve with operators generally maintaining lower volumes in storage.

The price of gas at the wellhead climbed sharply, increasing by 40 percent from \$1.55 per thousand cubic feet in 1995 to \$2.17 in 1996. Other price increases varied greatly from sector to sector. Following the steep rise in price at the wellhead, prices at the city gate and for sales to the industrial and electric utility sectors also rose greatly. By contrast, prices paid for deliveries to the residential and

commercial sectors showed comparatively modest increases and were slightly lower than in 1994.

Marketed production of natural gas in 1996 was 244 billion cubic feet more than one year ago. A number of supply sources contributed to the greater gas production in 1996. Production from the entire Gulf of Mexico rose 3.2 percent over 1995 volumes. The Gulf of Mexico increase of 323 billion cubic feet together with notable increases in Arkansas and Colorado more than offset declines in onshore Louisiana, New Mexico, and Oklahoma. The trend for increasing gas production from the offshore Gulf of Mexico is expected to continue during the next few years. The extension of recovery opportunities into deep water has established the deep offshore as an area of considerable national significance.

**Figure 1. Natural Gas Flow Diagram, 1996**  
(Trillion Cubic Feet)



Notes: Totals may not add due to independent rounding. In 1996, consumption of natural gas for agricultural use is classified as industrial use. In 1995 and earlier years, agricultural use was classified as commercial use.

Sources: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition"; Form EIA-895, "Monthly Quantity and Value of Natural Gas Report"; Form EIA-816, "Monthly Natural Gas Liquids Report"; Form EIA-759, "Monthly Power Plant Report"; Office of Fossil Energy, U.S. Department of Energy, Natural Gas Imports and Exports; U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, Annual Reports, DOE/EIA-0216, and the U.S. Minerals Management Service.